OUR BUSINESS PROSPECTS.

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THE extreme money stringency, or panic, so generally anticipated and predicted some months since, has not arrived. Two principal causes have operated to prevent it: first, the business world prepared for it by getting out of debt as rapidly as possible; and, secondly, the enormous crops of all kinds in this country and the certainty of a large European demand for our surplus at good prices have created confidence in the immediate future, which has been reflected in the Wall Street barometer by the recent considerable advance in stocks, which foreign capitalists have quite recently been disposed to buy for "quick turns" on the market, while they avoid permanent investments in good American railroad bonds, with which our bankers and corporations are now burdened because of the distrust prevailing abroad regarding the permanancy of our gold standard.

With assured prosperity in the agricultural interests, a financial panic is impossible in the United States.

Although the late crisis in England, occasioned by the embarrassment of the Barings and over-speculation, was followed in this country by the shipment of seventy millions of gold to Europe, yet it was essentially a private banker's disturbance; and it incidentally, and by reflection only, affected the commercial interests of this country. Still prudent merchants "shortened sail" and waited developments. This caused a serious depression in business for a time, from which it has not yet fully recovered.

The industrial and commercial establishments of this country are to-day upon a sound, conservative basis. There is no inclination towards speculation, and they are more cautious than usual in incurring obligations. Collections have been better than the

average during the summer, and the demands for money from merchants less than usual.

A glance at the situation of some of our leading industries will confirm the above observation and serve as an illustration of the general condition.

There is a larger aggregation of capital engaged in the production of textile fabrics than in any other manufacturing industry in the United States. We have fifteen and a half millions of cotton-spindles, which, including the complete equipment of the mills, represent, in the competent opinion of Mr. Edward Atkinson, a capital of $232,500,000; and it would be a conservative estimate, based upon the census reports for 1880, to assume that the invested capital of the woollen, silk, and other mixed-textile manufactures, including bleacheries, dye-works, etc., is at present $225,000,000 in addition. The capital employed in the various commission, wholesale, and retail agencies for the sale of textile fabrics would at least equal the amount engaged in manufacturing. We thus arrive at the enormous total of more than $900,000,000 engaged in this industry, with its attendant traffic.

Of carpets we are the largest producers in the world, and in design, colors, and quality our goods are quite equal to anything made in Europe of competing grades; of silk, we exceed in amount the product of England and Germany, and are second only to France; and in plain silks (in which we excel as respects quality and durability) we equal the product of the most famous looms of Lyons.

The large corporations of New England engaged in cotton-manufacture have had, as indicated by their last half-yearly dividends, average success, notwithstanding the fact that the average prices of cotton fabrics for the past six months have been the lowest known in the history of the trade in the United States, even in the times of exceptional temporary panic or depression; the quotations of the stocks of the leading mills are generally above par, and in many cases at a large premium; and for a series of years the return to the investor has been more profitable and steady than the average railroad earnings of this country.

Although an English cotton mill costs to build and equip fully 33⅓ per cent. less than ours, and while labor in such mills is 20 per cent. less in England than here (in some industries the

difference is much greater), it is an interesting fact that one may buy the low and medium grades of cotton goods of the class used by the masses, or a ready-made garment of the same, say of shirtings, calico, gingham, canton flannel, and the like, in the retail stores of New York and Chicago, quite as low as a similar article can be bought in London, Paris, or Berlin. American standard sheetings and drills have the preference in the Chinese market, and are sold in competition with English- and German-made goods, and always at better prices because of their superior quality. The product of favorite brands of American standard sheetings and drills adapted to the China markets have been sold in advance of production for more than six months past, and a prominent mill has now 10,000 packages engaged for the African market.

It is a humiliating fact that every bale of New England-made goods destined for China is shipped by the Canadian Pacific Railway to Vancouver and from thence to its destination by English steamers, and this large traffic has been diverted from the American railways and from the Pacific Mail steamers because that line of steamers has not heretofore been able to compete with the English Government subsidy.

It has been proved that we can successfully compete with Europe in the Oriental markets, in the manufacture and sale of plain cotton goods, when the cost of labor in producing a piece of goods does not exceed 25 per cent. of the total cost. I have seen recently a stylish and appropriate summer morning dress, made from a colored American cotton dress fabric by a young lady with her own fingers, where the cost of the material did not exceed one dollar and a quarter. A ready-made suit of clothes for a man, of common American cassimere, will not cost in New York to-day 15 per cent. more than a similar suit bought in London; and this excess in cost is due to the increased cost of wool here and to the fact that the percentage of labor-cost upon the cassimere is relatively six times as much as on the cotton fabrics above referred to.

It must be admitted that the woollen and worsted industry of this country has been less uniformly successful and has experienced far more fluctuation during the past twenty years than the cotton industry; and this has been due mainly to the tariff and its interpretation.

While I yield to no one in the belief that experience, which in the end settles all questions of theory, has demonstrated that a reasonable protective tariff is the true economic policy for the United States, still I am of the opinion, in opposition to our present policy, that a very low tariff upon wool, or free wool, would benefit alike the manufacturer and the wool-grower, and would place both interests upon a firmer basis of prosperity. It would enable the manufacturer to largely increase, as well as diversify, the production; it would create a larger demand for American wools, for mixing with foreign, and increase the price to the farmer.

Except for the general and mistaken prejudice of the wool-grower, to which the law-making power has yielded, there is no more reason, even from the Protectionist's standpoint, why our tariff-makers should place a duty upon the low grades of wool known as carpet wools than upon indigo or any other article not produced in this country.

The growth of the iron industry, notably within the last five years, is simply marvellous. The census of 1880 gives the invested capital of the iron and steel industry as $230,-971,884. We are without the figures of the late census, but it is fair to assume, as the production has increased during the last decade two and a half times, that the capital may now be estimated at $450,000,000. The Hon. A. S. Hewitt, than whom there is no better authority, estimates that it requires $1,000 capital for every man employed in the manufacture of iron. Notwithstanding the enormous expansion in this industry, the returns to the manufacturers have been reasonably satisfactory. The group of corporations connected with the name of the distinguished author of the "Gospel of Wealth"* is reported upon trustworthy authority to have been phenomenally prosperous during the year 1890. A prominent iron-manufacturer states:

"We have made more money in our mills in 1890 and 1891 by rigid economy than for several years past, and my experience is presumably not exceptional. There has been no important failure in the iron trade for twelve months past, although the price of iron is very low, lower than for many years. An owner of a mill who is selling iron freely at the lowest price named by any one in this country, informed me that they declared a 9 per cent. dividend last year; it is proper to add, however, that large profits have only been made on the production of specialties covered by patents, and not upon plain staples which are open to general competition."

* Mr. Andrew Carnegie.

The iron trade of the United States has had in the past so many periods of severe depression that manufacturers have been obliged to study all sorts of labor-saving methods in order to decrease the cost of production; there is no other country in the world where so much is accomplished by such devices as in the United States, in all branches of manufacturing—*i. e.*, more labor per man is performed in the United States than elsewhere. While the iron industry has felt more severely the depression of last spring and the fall in prices than most other trades, because of the almost total cessation of railroad construction and extension, still the outlook is encouraging. Iron and steel are more and more, each year, used in buildings of all kinds, and new outlets are constantly opening for these products.

I am sure that I am doing a favor to my readers by calling their attention to the exceedingly able and interesting address of Mr. Hewitt delivered in September, 1890, before the American Institute of Mining Engineers, on "Iron and Labor," not only because of its comprehensive history of the iron and coal trades, but also for its instructive lessons on social questions connected with the relations of capital and labor.

The report of the American Iron and Steel Association, issued in April last, is the authority for most of the statistics given below. The production of pig iron in the United States, given in net tons, was in the year 1872, 2,854,558; 1880, 4,295,414; 1886, 6,365,328; 1890, 10,307,028; from 1872 to 1878 the product decreased. The increase of production from 1888 to 1889 was 17 per cent.; from 1889 to 1890, 21 per cent. The production of 1890 was about 1,200,000 gross tons larger than that of Great Britain for the same year, and it was 600,000 gross tons larger than the largest year Great Britain ever had, thus placing the United States at the head of the iron-producing countries of the world. Iron was made in twenty-three States of our country in 1890. The total production of Bessemer-steel ingots in the United States was, in 1890, 3,688,871 gross tons, an increase of nearly 26 per cent. over the production of 1889. Great Britain's largest production of Bessemer-steel ingots was in 1889, when it amounted to 2,140,793 gross tons. Our production of steel rails in 1889 was 1,691,264 net tons; in 1890, 2,091,978 net tons. The largest annual production of Great Britain was in 1882, when it amounted to 1,235,785 gross tons.

Wire nails (nearly all steel), although comparatively a recent development, have become very important. The production in 1890 was 3,135,911 kegs of 100 pounds each. This branch of the trade was built up under a protective duty of 4 cents per pound. The McKinley Bill reduced this duty to 2 cents per pound. These nails are now selling by first hands at $1\frac{90}{100}$ cents per pound, or ten mills less per pound than the present duty. The rods from which these wire nails are made were formerly largely imported from England. The price of the American rod is $37.50 per ton. The first cost of the English rod would be $31.78; add duty of $13.72, making total $45.50. American steel nails are quoted at $5.50 per ton less than they can be imported to-day with the duty of $13.72 added. The last-mentioned facts demonstrate that the cost of an article is not always in a high-tariff country "the foreign cost plus the duty."

As the presence of coal fields is indispensable to the production of iron in any country, it is interesting to note that the increase of our coal production has kept pace with that of iron, with which it is so closely associated.

1870	Coal mined, tons	28,312,581
1880	" " "	65,883,000
1889	" " "	137,445,172*

Our excessive silver coinage is the one dark, ominous shadow which projects itself over the country, plainly indicating disaster. If this danger could be eliminated by the common-sense of the people operating upon Congress, there is no question that an era of permanent prosperity would open before the nation. The wise remarks of the President at Albany indicate that there is no prospect of free silver coinage during the present administration; but the introduction of free coinage of silver is not the only thing necessary to cause the withdrawal of gold as a circulating medium. The monthly purchase of 4,500,000 ounces of silver bullion, with its attendant issue of treasury notes, will, in my opinion, inevitably produce this result. It is highly probable that gold would have sold at a premium before Christmas of this year had it not been for our large crops and the universally short crops of cereals in Europe.

As an illustration of the value of the present crops as affecting the prosperity of the country, one of the most prominent and intelligent citizens of the State of Kansas writes:

* These figures are from Mr. Hewitt's address on "Iron and Labor."

"There are thousands of farms in Kansas that have produced crops which can be sold for a sum greater than the actual valuation one year ago of the farms themselves. One instance has come under my observation of a farm, fairly valued at $4,500, producing a crop which has been sold for $8,000. It is stated on good authority that either of the items of property, horses, cattle, hogs, wheat, and corn, could be sold for a sum equal to the mortgage indebtedness of all of the farmers of Kansas, and leave them in possession of the four remaining items."

Within the past four months and before our present crops were assured, while money was loaned at 4½ per cent. in Wall street on six months' credit and payable at maturity in gold, the currency rate was at the same time 6 per cent. This danger-signal will be likely to fly again when the reverse of the position of to-day is realized—*i. e.*, the occurence of short crops in this country with abundant harvests in Europe. Prudent loaners of money, such as savings banks and trust companies, will then necessarily insert gold clauses in their mortgages for self-protection.

The exports and imports of the United States, exclusive of gold, for the year ending June 30, 1891, were $1,729,378,862, with a balance of about forty millions in our favor. This vast exchange was all upon a gold basis, and in accordance with the finances of Europe.

Those who were engaged in foreign trade during the late Civil War will need no reminder of the difficulty and uncertainty that always environ all transactions which represent obligations payable in gold with receipts receivable in a depreciated currency.

If the question is asked, "When will gold sell at a premium under the existing state of things?" an obvious and reasonable reply would be: Gold will be withdrawn from circulation, and the hoarding of this metal will commence whenever the time arrives that importers and foreign bankers believe that it is probable in the near future that a check drawn upon a bank in New York will not be received in payment of a bill of exchange drawn on London.

All prudent men engaged in foreign trade will then convert as speedily as possible their deposits into gold, and the catastrophe of a premium on gold will be at hand. The large banks and bankers of Europe have, before this impending danger, been willing to leave liberal cash balances in the hands of their agents

in this country because of the higher rates for money usually prevailing here. Of course the probability of a premium on gold would cause all floating capital of this kind to be withdrawn, unless promises to pay in gold, with all the attendant risks, were entered into on the part of American dealers in foreign exchange.

The Secretary of the Treasury has the power and discretion by act of Congress to issue bonds for the purpose of maintaining the present parity between gold and silver; and Secretary Foster in a recent interview with New York bankers expressed his determination to use this power for that purpose to its fullest extent; but it is not probable that Congress, with its well-known tendency to free coinage, would permit this power to remain long in the hands of the government should such an exigency arise. In the opinion of some of the most experienced bankers and financiers of this country, we have to-day coin and currency of all sorts (gold excepted) sufficient for the needs of the nation. The demands for more currency are fallacious. The idea prevails in some sections, as demonstrated in a recent Ohio political convention, that increased currency and free coinage of silver will give additional capital to those who are at present without accumulated savings of their own. Was there ever a more absurd proposition submitted to an intelligent people? Money flows by a natural law to the money-centres, or where there is concentrated capital. What our free-coinage friends need is increased earnings, and not more currency and silver coins. The Treasury Department and the banks of New York will be glad to send them all the eighty-cent silver dollars and all the national-bank notes and silver bills they can pay for, provided only that the express charges are borne by the receivers. It must be admitted, however, that the Eastern banks are very reluctant to part with their gold reserves, as every bank manager knows.

In financial circles there is so much sensitiveness regarding the gold reserve of the government in the treasury, which is less than 20 per centum of the outstanding obligations, subject to redemption in gold, if the gold standard is maintained, that it would be regarded as an unfriendly act on the part of any national bank to send one-half million greenbacks to the assistant treasurer for redemption in gold coin.

A conspicuous instance very recently came to light in New

York, by which it appeared that a prominent bank loaned a million of dollars for fifteen days without interest to a foreign banker for the purpose of importing gold from England, with the agreement that as a compensation for the loss of interest the gold so imported should be added to the reserve of the bank, and this was considered a wise move at the time.

At this writing the platform of the Democratic State Convention is announced. It is a matter of great importance and a good omen for the future that both political parties in this State are united in opposition to the free coinage of silver and in favor of honest money.

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